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Saatchi return to roots as marketing arm is sold
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ABSTRACT:

By selling its Siegel & Gale marketing arm , advertising agency Saatchi & Saatchi is returning to the traditional agency role of supplying creative input, instead of providing a full range of client services. In a deal worth GB 20.4mn, Siegel & Gale returns to its US management, becoming the world no. 1 independent corporate and branding consultancy, with clients which include Halifax, Caterpillar and Kodak. Saatchi & Saatchi will now concentrate on being a creative and ideas - generating company.

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CEO OF SAATCHI AND SAATCHI

Christine Bushey

MSNBC BUSINESS VIDEO

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CHRISTINE BUSHEY, MSNBC BUSINESS VIDEO: Welcome back to MSNBC BUSINESS VIDEO. We're continuing our coverage at the PaineWebber Media Conference here in New York City and we're pleased to be joined by Saatchi and Saatchi PLC, CEO, Bob Seelert.

Thanks so much for joining us.

ROBERT SEELERT, PLC, CEO, SAATCHI AND SAATCHI : Thank you. Nice to be here.

BUSHEY: If you can explain the de-merger that went on from Cordiant and into its various groups and why and why now?

SEELERT: OK. Well, we announced the intent to de-merge last April and basically we did it to unlock the potential of the individual operations because consumer problems, to some extent they were getting in each others way more than they were complementing each other.

So this, they have individual cultures. They want to pursue their objectives within those cultures and they want to free themselves up to get rid of each others conflict policies to open up the greatest revenue growth potential.

So we're quite convinced this is going to enhance our ability to grow the revenues, to improve margins and what's technically happening is that the Cordiant PLC a British based holding company will, in essence, become two publicly traded entities. On the left hand side you will have Saatchi and Saatchi TLC and on the right hand side you will have what's going to be known as Cordiant Communications Group, but that will be the parent company of the Bates (ph) Worldwide Advertising Network.

BUSHEY: Today in your panel discussion, which you just came out of, were there any topics that you thought that were extremely important to get across to shareholders?

SEELERT: Well, the thing that has been consuming us, of course, has been the whole de-merger world and so bringing that to fruition. It's one thing to announce it but it's something else to bring it to fruition because it's quite complex from a legal and accounting point of view so our company has been very focused on that.

One of the questions that we were asked is, gee, you seem to be doing something different than what everybody else is doing because they seem to be acquiring companies and, you know, we're breaking them apart and in truth we're not trying to tell anybody how to run their business because there are different models that can be successful in this industry but in a horses for courses kind of thing we think that this is absolutely the right thing for us and clients have always made the choice between individual advertising networks. They've never really made a decision based on I'll go with this holding company versus that holding company.

So it's not thought of as, you know, should I go with Cordiant, WPP, Interpublic or Omnicom (OMC) it's should I think of Saatchi and Saatchi , BBD&O (ph), Ogilvey and Mather or McCann-Erickson (ph) that kind of thing.

So we're very solidly up to competitive scale on that world wide stage and so far we feel that we will compete very robustly with this universe.

BUSHEY: So each individual brand name is extremely important.

SEELERT: Yes and that's where competitive choice is made and that's where we intend to focus our efforts. You know, we want to be the best of those individual networks on a go forward basis. That's what Saatchi and Saatchi is going to be all about.

We know why our clients hire us, basically to generate tremendous

creative ideas that help to transform their business and so we're going to be very focused as an organization on that fundamental reason for being of generating creative ideas that can build our clients's business.

BUSHEY: If you look at Saatchi and Saatchi versus Bates is there a way that you can distinguish each from the other? Is there -- does one have a particular strength over the other?

SEELERT: Well, advertising business has always had pretty unique cultures and, you know, the Saatchi culture has always been very creatively driven and, you know, it's been a group of people who are very passionate about what they do. We believe the quote "Nothing is impossible" is the mantra of the group.

So they produce great solutions. Somehow they get there. It may not be as a result of a consistent process and whatever, but they are populated by, you know, tremendously energized people who develop creative incites into businesses and come up with ideas.

*energized
people*

Bates has always been kind of the USP (ph) agency, quite disciplined, very strategic and business oriented and an overall kind of sense. They've to some extent been two different animals. One of the things we considered was, you know, should we merge companies and given the despaired cultures that these two individual entities had we concluded that would not be a good idea. That, you know, these two folks just wouldn't live in a single network.

BUSHEY: Within each of-- within each company, within Saatchi, within Bates, will it be necessary going forward and as CEO of Saatchi and Saatchi I guess you can speak for this company with us, but perhaps to make other acquisitions. You did mention that that's what going on in the industry right now.

SEELERT: Our acquisitions will be more what we would call filling in nature.

SEELERT: And Saatchi is going to be very much focused on becoming the preeminent creative ideas company in the world, and being the best at what it's chosen to do as opposed to being consumed with business per se. So we had some geographies that we wanted to get to a majority ownership position in, places like India and Mexico, Brazil and Argentina. We'll be doing that kind of thing. We may be developing some capabilities to help deliver the things in new media, for example, or a partnering up with people in a strategic alliance sense -- to get into other delivery areas like direct marketing. So we have those kinds of alliances now on a very geographic basis. And we'll probably continue to pursue those kind of things all in the interest of serving our clients.

BUSHEY: Let's talk about geography for a moment. The US is very often considered the most mature of all the markets, and companies are looking outside the US for growth. What are you seeing outside the US, and what area of the world do you see the most growth coming from?

SEELERT: First of all, you know, the US -- while the growth trend isn't the same, it's still overwhelmingly the largest market in the world wide scene. And it also is home to half of the world's largest advertisers. And in truth, one of the things that's driving globalization -- US companies reaching out to expand their businesses by investing heavily in overseas operations.

So, for example, we're one of the core agencies for Procter & Gamble (PG). And a company like that is now driving very aggressively out in the Asia Pacific area. So that's one of the reasons that we are there is to help those clients build their business in that part of the world. So, we're in a world where the developing part of the world is growing faster in advertising, that is the more established part. Those are percentages though. Still, if you're going to be successful in this business, you really have to focus on being successful in the United States and using that as a core for both growth as well as world wide expansion.

BUSHEY: Is there one particular market that you like?

SEELERT: Well, we really like China. And we are the #1 world wide agency network in China. And we have four offices in that country -- (OFF-MIKE) state (ph). Our clients have been investing very aggressively in China, and we've been with them every step of the way. So that's a big growth situation for us. Our revenues would up better than 30 percent versus a year ago in China in this calendar year-to-date.

BUSHEY: Let's talk a little about some of the new technologies. There's a lot of buzz about the Internet now. What is Saatchi and Saatchi going to be doing going forward with the Internet?

SEELERT: OK. First of all, we have established capabilities in these areas. In the UK, for example, we put in place a group called Saatchi Vision. In the US, we are calling it Darwin Digital. But this is a group of people who are highly skilled in this new media area.

And we've been doing significant Web sites for our existing clients, as well as serving some new clients in this particular area. For example, we created a Web site for Tide. It will give you all the tips on how to clean your clothes and get out stains and a few other things that needs to be done.

We've created Web sites for Toyota (TOYOTA). And, of course, figuring out the car you want to buy over the Internet has become quite a significant thing. Basically, we are focusing our future on the development of creative ideas, and then we want to deliver them, have the capability to deliver them across whatever media is relevant to the client's need.

BUSHEY: What do you see as the fastest growing type of media for advertising? Is it going to be the Internet?

SEELERT: I think the Internet has been growing in an explosive kind of fashion. I would say that people are still experimenting in a lot of ways, so that nobody's exactly sure where all of this is going. But certainly on a percentage basis, that's been the fastest growing area. And by the same token I think quote "traditional advertising" for the foreseeable future is going to have a very significant place in the plans of all of our clients.

BUSHEY: Here at this conference, not today, but coming up there are going to be presentations from cable companies, from major broadcasters, and all the changes that are going on with that industry, all the convergents and new networks that are coming out -- cable versus networks. How does that affect the advertising agencies -- all these changes -- how do you keep up?

SEELERT: We have to stay on top of all those kind of things. One of the things we had done under recordant (ph) load (ph) that we are going to perpetuate now with these new companies is that we created Zenith (ph) as a world wide media organization. And we did that so as to combine the greatest possible scale over this increasingly fractionated world of media, and to also be able to attract the best equal enterprise and to have the affordability to invest in proprietary systems and capabilities that can stay on top of this rapidly changing world. So if Zenith derives half of its business from Saatchi and Saatchi and Bates clients -- but the other half, our third party clients outside the group, that really add to our scale. And they give us the horsepower so to speak to deal with all of this.

BUSHEY: If we talked in financials for a moment, I know you've worked very hard at bringing down some of the operating costs and margins have improved because of that. What have you done there?

SEELERT: Yes. Well, I joined the company in July of 1995 after a period of significant turmoil, shall we say, and we were very quickly to refinance the company and get it on a sounder capital basis. And then we embarked on a number of cost-management activities. We did undertake some redundancy programs. We further reconfigured real estate, and we further reconfigured pension plan things.

And in the Saatchi network, we embarked on a clean piece of paper re-engineering exercise so that we went around to every major office in the world and basically asked ourselves: Who are the clients? -- What are their requirements? -- What are the issues to deal with? and, What are the opportunities?

And we then redesigned the agency from scratch, so you serve those clients, meet those requirements, deal with the issues and capitalize on the opportunities. In some cases, we added people. In some cases, we deployed people. But when it was all said and done at the end of the day, we also experienced net redundancy as part of that program.

So we have some very significant cost management actions that are behind us that have dramatically improved the cost profile of this group, and so we look forward with confidence now to the ability to deliver continuous improvement in margins as a result of pulling through the benefits of those actions in tandem with growing our revenues.

BUSHEY: In fact, I think your thinking of being on target for about 8 percent margins, operating margins in '97.

SEELERT: Yes, we're sneaking up towards that direction, and Saatchi

was up 1-1/2 margin points in the front half of the year versus, a year ago, and last year accordingly, it was 6.4 or so, and that was good.

BUSHEY: Over the past 2-1/2 years, I would imagine that your goals as CEO have changed. Give us a sense of what you're thinking about now for the next 2-1/2 years.

SEELERT: Right. Well, the starting point for me, given the nature of the situation that I entered into, was all about stabilization of the clients and staff, rebuilding revenue, and

getting the company refinanced. In a year or two then, we moved into some strategic analysis of what was the best mode to get these companies into for the long-term growth. And it was part and parcel of that process as well as improving their financial results, that led us to this de-merger. So now we have that in-place, and that's all going to culminate on this next Monday, when these two new company shares are going to start to trade.

So now, it's all about, if we're on the front foot, how to go forward basis and how do we really drive that home in terms of growing the enterprise. The Saatchi vision is to be revered at the hothouse for world-changing creative ideas, and we've thought a lot about the kind of company that we're going to be and that's what we're going to be focused on.

We do want people to note that we're doing this, not for the fact that we're retail maniacs but because it would be good for building our reputation building business and attracting people. And we want to create an environment of the hothouse because that's the kind of things where ideas are born and the kind of environment we'd like to have. And when those ideas come forth, we want them to be big ideas as opposed to small ideas. So we aspire for them to be world-changing in character.

So, it's all about focusing on how we can transform our clients' business by generating great creative ideas. Another summation of it is we kind of want to get ourselves to be the "hottest idea shop on the planet." And, so we're going to be very focused on that. It's a growth orientation. We're no longer worried about stabilizing something that might fall off the edge of the table and get broken, and we're very firmly on the front foot and it's a go-forward mode for us now. So that's exciting.

BUSHEY: OK. Well we have to leave it there but we certainly thank you for joining us today.

SEELERT: Thank you.

BUSHEY: We've been speaking with Saatchi and Saatchi's CEO, Bob Seelert.

I'm Christine Bushey for MSNBC Business Video.

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